

**KNOWLEDGE NETWORK CORPORATION**

**SERVICE PLAN  
ANNUAL REPORT**

2007-2008



**BRITISH  
COLUMBIA**

The Best Place on Earth

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## MESSAGE FROM THE BOARD CHAIR TO MINISTER RESPONSIBLE



It's my pleasure to present Knowledge Network Corporation's (KNC) Annual Service Plan Report for the 2007/08 fiscal year.

This past year, the focus was on establishing the foundation for transformation. KNC's President and CEO, Rudy Buttignol, worked with the Board, management, and staff to begin implementation of KNC's new direction as per our five strategic goals.

**Goal #1 Branding:** Digital conversion of KNC operations is well underway and on schedule. In September 2008, we will launch an improved, rebranded, 24/7 all-digital media service on television and the Internet.

We submitted our seven-year broadcast licence renewal to the Canadian Radio-television and Telecommunications Commission (CRTC), presenting the new direction for British Columbia's public educational broadcaster. We continued to strengthen relationships with the CRTC, Heritage Canada, and the independent television and new media production community, as new regulatory systems and policies were developed and implemented.

**Goal #2 Original Programming on Television and the Internet:** KNC ranked #1 in market share in BC for children's programming, offering a broad range of engaging programs with a focus on literacy and early childhood education. KNC continued to broadcast a diverse range of documentaries from Canadian and international perspectives. A significant expansion of original BC content will be pursued when funds become available.

**Goal #3 Independent Production Partnerships:** Business lines were dramatically restructured to support KNC's new relationship with the independent production community in BC. All original program content broadcast on KNC will now be produced by this sector. We will engage in an aggressive expansion of collaboration with the independent production community when funds become available.

**Goal #4 Self-Generated Revenue:** In 2007/08, a significant milestone was reached: KNC exceeded its target for Partners In Knowledge donations, raising over \$2M, an all-time high. The generous support of almost 26,000 Partners In Knowledge donor households across the province has played a significant role in KNC's success. We also established an endowment fund that will support programming as well as provide stability of the network into the future.

In partnership with the Ministry of Tourism, Sport and the Arts, and the Union of BC Municipalities, KNC began work on Picture BC, an interactive website rich in BC content driven by municipalities from across the province.

**Goal #5 Team Recruitment and Development:** To support KNC's new strategic direction, a new President and CEO was recruited. Management and staff were restructured, and several positions were eliminated.

KNC ended the year with a balanced budget, although we incurred one-time only costs associated with restructuring the organization and preparing the building at 4355 Mathissi Place for transfer to another public post secondary institution. Looking ahead, we are continuing to develop business plans to support KNC's operations into the future, based on our operating grant from Government, combined with diversified self-generated revenues from KNC.

A key area of concern for KNC continues to be the future of the Canadian Television Fund (CTF). KNC's access to the CTF has been eroding in recent years, impacting our ability to increase our support of the independent production sector. KNC, working together with our public educational broadcasting colleagues, will continue to champion equitable access to the CTF.

We should note that KNC's 2008/09 – 2010/11 Service Plan was prepared under the assumption that additional revenues would be secured in the 2008/09 fiscal year in support of our new strategic direction. Our business plans will now be tabled as part of the 2009/10 budget planning process, impacting the pace at which we will launch two of our five strategic goals moving forward: Expansion of Original Programming on Television and the Internet, and the Expansion of Independent Production Partnerships. Changes to our targets resulting from our business plans will be discussed in the 2009/10 – 2011/12 Service Plan.

Throughout 2007/08, KNC greatly improved efficiencies and markedly increased self-generated revenue. We continued to grow our diverse audiences, offering a unique mix of programming that connects British Columbians to a wide range of world views, and most importantly, to each other. We made significant business decisions to move KNC in a direction that will bring greater benefits to British Columbians and other key stakeholders.

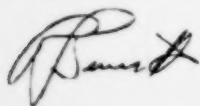
The 2007/08 Knowledge Network Corporation Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

Due to the transition from the Open Learning Agency (OLA) to Knowledge Network Corporation, the information presented reflects the actual performance of KNC for the twelve months ended March 31, 2008 in relation to the February 2008 Service Plan. The measures presented are consistent with KNC's mandate, goals, and strategies, and focus on aspects critical to the organization's performance. The transition from the OLA to KNC is almost complete, with the Knowledge Network Corporation Act expected to come into effect in 2008.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured and reported accurately and in a timely fashion.

All significant decisions, events, and identified risks, as of April 2008, have been considered in preparing the report. The report contains estimates and interpretative information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures, or targets and any significant limitations in the reliability of data are identified in the report.

Sincerely,



Ron Burnett

Chair, Knowledge Network Corporation Board of Directors

## ORGANIZATIONAL OVERVIEW

### Our Enabling Legislation and Mandate

KNC's transition to Crown Agency status is almost complete. Bill 23-2007, the Knowledge Network Corporation Act, passed its third reading in May 2007 and will come into effect in 2008.

The purpose of the Corporation, as outlined in the Knowledge Network Corporation Act and the Shareholder's Letter of Expectations, is to:

1. Carry on the business of broadcasting and communications to provide unique, quality educational programming to British Columbians,
2. Promote lifelong learning in British Columbia by providing quality educational programming,
3. Inform and educate British Columbians about their province and about issues that are relevant to them,
4. Provide British Columbians with a unique television experience, and
5. Collaborate with the independent television and web media production sectors in British Columbia.

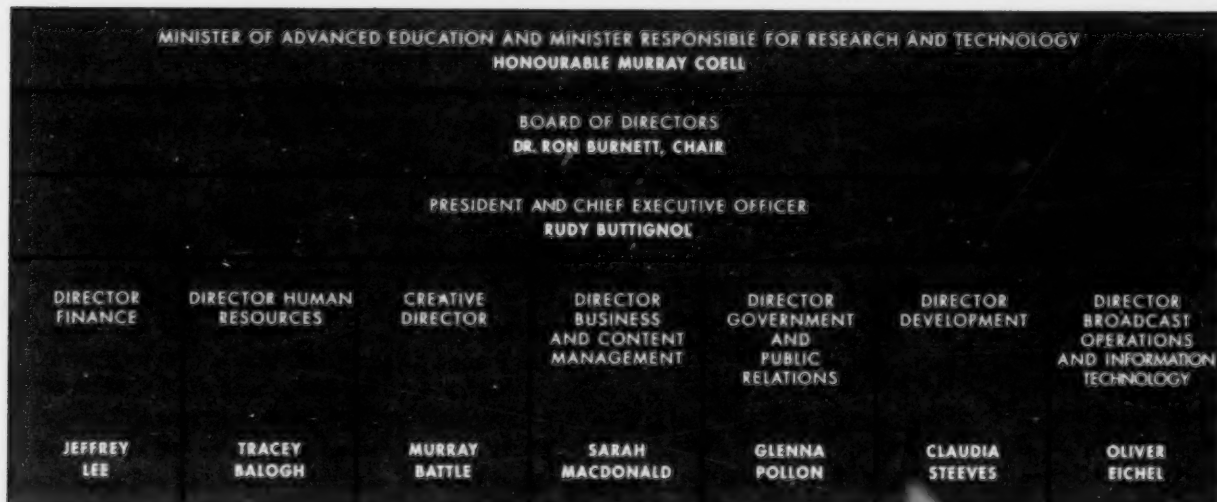
Our Accountabilities as outlined in the Shareholder's Letter of Expectations include television and/or Internet programming that reflect:

- The spirit of ActNow BC;
- BC's role as the gateway between Canada and the Asia Pacific;
- The promotion of literacy, including early learning initiatives and adult literacy;
- Aboriginal communities, culture, and issues;
- The experiences and interests of all age groups including young children, youth, and seniors; and,
- The celebration and commemoration of the 150th anniversary of British Columbia as a Crown colony.

### Organizational Structure and Core Business

KNC is a public educational media organization. We operate on a commercial-free basis, funded through a provincial grant combined with self-generated revenue. KNC acquires programs locally, nationally, and internationally. We also collaborate with the independent television and new media production sector through partnerships, commissions, prelicenses, and other means.

As of March 31, 2008, KNC had 51.75 full-time equivalent positions (reduced from 61.5 in March 2007).



KNC self-generates revenue through three key areas: Partners In Knowledge donations, an endowment fund, and media partnerships. KNC currently has almost 26,000 Partner In Knowledge households who voluntarily contribute more than \$2M annually towards the acquisition and prelicensing of programs. Building on the loyal support of our donors and to generate future revenue, we have established an endowment fund. Starting with one \$40,000 bequest early in 2007, the endowment fund has grown to more than \$350,000 through a combination of bequests and cash gifts.

KNC has begun offering media partnerships to organizations that share common goals in the public interest. Taking advantage of KNC's significant daily reach throughout the entire province, we can effectively promote awareness of issues that impact BC residents and communities.

## Benefits to British Columbians

KNC connects the people of BC with information and resources that make a difference in their lives and communities. We provide programming content through television and the Internet with a unique emphasis on BC and its world view. KNC has built a loyal audience over the years. We also are engaging a new, diverse generation of citizens eager to participate in BC's vibrant and dynamic society. KNC offers programs supporting literacy and early childhood development for BC's children. Our documentaries address relevant issues such as the environment and sustainability, arts and culture, science and technology, health, and education. Our availability on basic cable and direct-to-home satellite across the province provides accessibility to virtually all British Columbians.

Changes in the media environment have resulted in fewer avenues for independent voices to be heard in BC, as well as decreased availability of regional content. Working with the independent production sector in BC, KNC provides opportunities to share distinct viewpoints, helping to create an engaged and informed citizenry that participates in the economic, social, and cultural growth of the province. We do this within the limits of our budget. We are developing plans to aggressively increase

our presence in this sector when funds become available. These activities contribute to the growth of the independent production sector in BC, and leverage financing for regional productions from other Canadian and international sources.

## Our Partners and Stakeholders

KNC's primary stakeholder is the Province of British Columbia. KNC is funded through the Ministry of Advanced Education to provide public educational media services to British Columbians. Other key stakeholders include the citizens of BC, our loyal Partners In Knowledge, the independent production community in BC, the CRTC, and other public educational broadcasters in Canada.

## Changes to our Business in 2007-2008

In 2007/08, KNC began implementing its new strategic direction by restructuring business lines to increase efficiencies and to support the independent production community. We decommissioned in-house production, resulting in a reduction of staff positions. All original productions broadcast on KNC will now be commissioned to independent producers in BC.

## GOVERNANCE

KNC's corporate status is governed by the Knowledge Network Corporation Act of British Columbia. The shareholder is the Province of British Columbia as represented by the Minister of Advanced Education. KNC holds two other designations that inform our organizational and business decisions:

1. KNC is licensed through the Canadian Radio-television and Telecommunications Commission (CRTC) to broadcast educational programming in British Columbia.
2. KNC is a registered charity, engaging in fund-raising activities through our Partners In Knowledge program and endowment fund. Funds raised support the acquisition and production of unique, high-quality programming for children, youth, and adults.



## Board of Directors

Members of KNC's Board of Directors are appointed by the Lieutenant-Governor in Council from persons nominated by the Minister of Advanced Education. The Ministry of Advanced Education is responsible for policy direction while the Board is responsible for operational policy and setting the strategic direction of the organization. The Board also monitors performance based on the Province's planning and reporting principles. The Board delegates responsibility for the day-to-day leadership and management to the President and Chief Executive Officer. The Board has systems in place to ensure that their operations and decision-making processes are consistent with the Board Resource Development Office Guidelines. KNC's best practices are still under development as we work towards full compliance. Sections of our governance practices are available at [www.knowledgenetwork.ca/whoweare/index.html](http://www.knowledgenetwork.ca/whoweare/index.html).

As of March 31, 2008, the KNC Board members were:

Dr. Ron Burnett (Chair)	Beth Haddon (Secretary)
Nini Baird (Vice Chair)	Sinclair Mar
Rick Buchols	Patricia Sollars
Dave Calder	Mitchell Taylor

## Committees

There are three standing Committees that support the role of the Board in fulfilling its obligations and responsibilities.

### 1. Audit Committee

The purpose of the Committee is to ensure that the audit process, financial reporting, budgets, and risk management systems are reliable, efficient, and effective. Members: Rick Buchols, Sinclair Mar, Mitchell Taylor

### 2. Governance Committee

The purpose of the Committee is to ensure that KNC develops and implements governance objectives and policies. Members: Sinclair Mar, Patricia Sollars

### 3. Strategic Planning Committee

The purpose of the Committee is to ensure KNC's strategic direction meets the public policy objectives identified in the Knowledge Network Corporation Act. Members: Nini Baird, Beth Haddon, Mitchell Taylor

## REPORT ON PERFORMANCE

KNC's Board and management are currently working on business plans to be tabled as part of the 2009/10 Government budget process. Any changes to our Performance Measures and Targets resulting from our business plans will be discussed in detail in our 2009/10-2011/12 Service Plan.

In fiscal 2007/08, the focus for KNC was planning for the future. In October 2007, Government approved the five goals from KNC's Strategic Plan. KNC staff and management realigned business units and systems to support the Goals and Performance Measures we committed to in our 2008/09-2010/11 Service Plan.

Overall, KNC had a strong year with regards to performance. We exceeded two Self-Generated Revenue targets: Partners In Knowledge Donations and Endowment Investment Revenue. We also exceeded our target for Average Weekly Reach: Spring. We have revised target projections to reflect anticipated growth in these areas.

We can attribute the significant increase in Partner In Knowledge Donations to five key initiatives we focused on over the fiscal year:

1. Increased prospecting for new donors.
2. Increased retention rate with current donors.
3. Recovered lapsed donors.
4. Increased individual donations.
5. Acquired strong programs for viewers.

The significant increase in Endowment Investment Revenue can be attributed to two major gifts given to KNC this past fiscal year.

We can attribute the variance for Average Weekly Reach for the spring season to a very strong line up of programming in comparison with other broadcasters in the BC market.

In 2007/08, we began to implement strategies in support of our Branding goal. Digital conversion of KNC operations is well underway and is on schedule. In fall 2008, we will launch an improved, rebranded, 24/7 all-digital media service.

We also began to implement the Team Recruitment and Development goal. To support KNC's new strategic direction, several positions were eliminated while others were created. A new President and CEO was recruited, and the management team and staff restructured.

## Benchmarks

There are five publicly mandated educational broadcasters in Canada—each operating under different business models based on their respective relationships with their provincial governments and the conditions of their broadcasts licences. Consequently, KNC's performance is benchmarked internally against past performance.

KNC has twelve Performance Measures supporting our five strategic goals. In our 2008/09–2010/11 Service Plan we established benchmarks for nine of our Performance Measures. In 2007/08, we measured trends and established benchmarks for the remaining three: KNC Web Usage in British Columbia, Number of New Program Hours, and Percentage of Broadcast Schedule that Contains BC Content. Target projections for Percentage of Broadcast Schedule that Contains BC Content

decrease in 2009/10. A significant expansion of original BC content will be pursued when funds become available.

## Adjustments

With regards to our Average Weekly Reach Performance Measure, we have discovered that measuring Average Weekly Reach over the fiscal period does not provide an accurate portrayal of audience viewership in BC. This is attributed to significantly different viewing patterns from season to season. Our annual planning has moved towards industry standards, structured according to the four broadcast seasons starting from fall launch. Our revised measurements will reflect our new internal planning and reporting cycles. We will measure Average Weekly Reach for each broadcast season: Fall, Winter, Spring, and Summer. These changes, including revised targets, are reflected under Goal #1 Branding Performance Measures.

We do not start reporting on four of our Performance Measures until fiscal 2008/09. These are new initiatives that we are in the process of implementing.

A. Previous Performance Measure and Targets

PERFORMANCE MEASURES	TARGETS				
	2006/07 Actual	2007/08 Forecast	2008/09	2009/10	2010/11
Average Weekly Reach (Projections Based on 2006/07 Actuals)	1,174,000	1,185,000 1%	1,209,000 3%	1,256,000 7%	1,291,000 10%

B. Revised Performance Measure and Targets

PERFORMANCE MEASURES	TARGETS					
	2006/07 Actuals	2007/08 Forecast	2007/08 Actuals	2008/09 Target	2009/10 Target	2010/11 Target
Average Weekly Reach (Projections Based on 2006/07 Actuals)						
Spring	1,114,000	1,125,140 1%	1,213,000 7.8%	1,159,560 4%	1,180,840 6%	1,203,120 8%
Summer	1,045,000	1,055,450 1%	1,037,000 -1.7%	1,065,900 2%	1,086,800 4%	1,107,700 6%
Fall	1,190,000	1,201,900 1%	1,221,000 1.6%	1,237,600 4%	1,261,400 6%	1,285,200 8%
Winter	1,186,000	1,197,860 1%	1,220,000 1.8%	1,233,400 4%	1,257,160 6%	1,280,880 8%

## GOAL 1 BRANDING

### IMPORTANCE OF MEASURES

The measures in this section focus on our success in connecting British Columbians to content that supports lifelong learning.

#### *Average Weekly Reach*

We measure average weekly reach across our entire broadcast schedule for four broadcast seasons using data from BBM Canada, the national provider of TV, radio, and consumer information. Average weekly reach is the unduplicated number of people 2+ viewing at least one minute of programming in British Columbia. \*

#### *Brand Awareness*

We will conduct research each spring using Ipsos Reid's BC Reid Express Omnibus Surveys to measure awareness of KNC in British Columbia. \*\*

#### *KNC Web Usage*

We will measure KNC web usage in British Columbia each fiscal year using Google Analytics. We will track visits or sessions to our website, defined as a period of interaction between a visitor's browser and a particular website, ending when the browser is closed or shut down.

### STRATEGIES

1. Brand Knowledge Network Corporation as British Columbia's only independent, digital, commercial-free educational media service that reflects the province's diversity and multiculturalism and supports the lifelong pursuit of knowledge.

PERFORMANCE MEASURES	TARGETS					
Average Weekly Reach (Projections Based on 2006/07 Actuals)	2006/07 Actuals	2007/08 Forecast	2007/08 Actuals	2008/09 Target	2009/10 Target	2010/11 Target
Spring	1,114,000	1,125,140 1%	1,213,000 7.8%	1,159,560 4%	1,180,840 6%	1,203,120 8%
Summer	1,045,000	1,055,450 1%	1,037,000 -1.7%	1,065,900 2%	1,086,800 4%	1,107,700 6%
Fall	1,190,000	1,201,900 1%	1,221,000 1.6%	1,237,600 4%	1,261,400 6%	1,285,200 8%
Winter	1,186,000	1,197,860 1%	1,220,000 1.8%	1,233,400 4%	1,257,160 6%	1,280,880 8%
Percentage of British Columbians Who are Aware of KNC as a Public Educational Broadcaster	N/A	25%	25%	30%	40%	50%
Knowledge Network Corporation Web Usage in British Columbia	N/A	Benchmark Year	580,000	585,000 1%	597,000 3%	609,000 5%

\* Percentages in table reflect changes compared to 2006/2007 actuals.

\*\* 2007/08 Actual figure is based on the Spring 2007 KNC Segmentation Study conducted by Ipsos Reid.

## GOAL 2 ORIGINAL PROGRAMMING ON TELEVISION AND INTERNET

### IMPORTANCE OF MEASURES

The measures in this section focus on KNC's commitment to provide British Columbians with a unique television experience. Increasing the number of new programs will nurture diversity of voices and provide content that is relevant and engaging. Increasing BC content will give British Columbians a window to their world—their communities, histories, and cultures—while also providing a world view on current issues that are shaping our future. Working with independent partners, we plan to find new ways of reaching existing audiences and connecting with new audiences through the Internet.

#### *Number of New Program Hours*

We measure the number of new program hours annually using customized reports generated from our broadcast inventory software. Long-form programs, fifteen minutes or more, will be measured during the 6 p.m. to midnight viewing period.

#### *Percentage of Broadcast Schedule that Contains BC Content*

We measure BC content annually using customized reports generated from our broadcast inventory software, during the 6 p.m. to midnight viewing period.

#### *New Media Projects Developed or Produced*

We measure this goal annually by tracking the number of development and production projects we engage in. Projects may have significant digital elements such as multimedia micro-sites, mobile technologies, and social networks. This new activity will start in fiscal 2008/09.

### STRATEGIES

1. Create a hosted children's block that enhances the daily connections KNC makes with young children and their parents, while promoting diversity and early childhood learning.
2. Create a live weeknight arts and culture program that reflects local, regional, and international issues that are relevant to British Columbians.
3. Expand Internet content through experimentation with new media and with user-generated web content aimed at youth and young adults.

PERFORMANCE MEASURES	TARGETS					
	2006/07 Actual	2007/08 Forecast	2007/08 Actual	2008/09 Target	2009/10 Target	2010/11 Target
Number of New Program Hours (Broadcast Annually)	N/A	Benchmark Year	779	815	850	885
Percentage of Broadcast Schedule that Contains BC Content (Evenings from 6 p.m. to Midnight)	N/A	Benchmark Year	16%	12%	12%	12%
New Media Projects Developed or Produced	N/A	N/A	N/A *	8	9	10

\* We begin reporting out on this activity in 2008-09.

## GOAL 3 INDEPENDENT PRODUCTION PARTNERSHIPS

### IMPORTANCE OF MEASURES

The measures in this section focus on KNC's partnerships with the independent production community in BC. This sector is integral to telling the stories that are relevant to British Columbians.

#### *New Economic Independent Production Activity*

KNC's commissioning of documentaries contributes to new economic production activity in British Columbia. We measure this annually by the total economic activity generated by commissioned original productions.

#### *Amount Leveraged from Third Parties for Independent Production Activity*

KNC enables producers to complete their production financing by providing first window licence fees. Our licence fee contribution enables the producer to leverage financing from other public and private sources across Canada and internationally to complete their production financing. We measure this activity by adding up the total third-party funding secured for all projects.

### STRATEGIES

1. Collaborate with public sector agencies to support the development of new documentaries by independent television and web producers.
2. Increase license fees for documentary commissions to assist independent producers in leveraging funding from other Canadian and international sources.

PERFORMANCE MEASURES	TARGETS					
	2006/07 Actual	2007/08 Forecast	2007/08 Actual *	2008/09 Target	2009/10 Target	2010/11 Target
New Economic Independent Production Activity (Original Documentaries)	N/A	N/A	N/A	\$750,000	\$1.95M	\$2.55M
Amount Leveraged from Third Parties for Independent Production Activity (Original Documentaries)	N/A	N/A	N/A	\$563,063	\$1.46M	\$1.91M

\* We begin reporting out on these activities in 2008/09.

## GOAL 4 SELF-GENERATED REVENUE

### IMPORTANCE OF MEASURES

The measures in this section focus on KNC's loyal and generous donor base as well as our new opportunity for media partnerships. Increasing our Partners In Knowledge donations will support the acquisition of programs from BC, Canada, and around the world. Increased donations will also increase support for preclicensing of British Columbian and Canadian programming. KNC's access to large audiences across the province presents partnership opportunities. Organizations that have relevant information in the public interest will be able to access these audiences through media partnerships.

#### *Partners In Knowledge Donations*

We measure this activity by tracking Partners In Knowledge gross revenues through our financial software system and donor database.

#### *Endowment Investment Revenue*

Our measurement for investment revenue follows an investment strategy based on an average return of 4% going towards growing capital in the endowment and 4% going towards annual programming needs.

#### *Media Partnerships Revenue*

We will measure this activity annually by the revenue generated through schedule underwriting and sponsorship initiatives.

### STRATEGIES

1. Build on the ever-increasing charitable donations from Partners In Knowledge.
2. Build on an endowment fund to support long-term revenue growth.
3. Establish media partnerships by offering the network's airtime, in exchange for revenue or in-kind consideration, for public service-oriented campaigns such as tourism and public health issues.

PERFORMANCE MEASURES	TARGETS					
	2006/07 Actual	2007/08 Forecast	2007/08 Actual	2008/09 Target	2009/10 Target	2010/11 Target
Partners In Knowledge Donations	\$1.88M	\$1.9M	\$2.17M	\$2.15M	\$2.2M	\$2.25M
Endowment Investment Revenue	N/A	\$6,700	\$15,000	\$20,000	\$25,000	\$30,000
Media Partnerships Revenue	N/A	N/A	N/A *	\$100,000	\$125,000	\$150,000

\* We begin reporting out on this activity in 2008-09.



## GOAL 5 TEAM RECRUITMENT AND DEVELOPMENT

### IMPORTANCE OF MEASURE

KNC is committed to the training, professional development, and performance management of staff. We provide an environment that fosters individual contribution and growth in the achievement of the corporation's goals and objectives.

#### *Percentage of Staff Participating in Training and/or Development Opportunities*

We will measure this activity by tracking the percentage of staff who participated in training and development opportunities annually in support of our goals.

### STRATEGIES

1. Recruit and develop a team with the necessary skills to transform Knowledge Network Corporation from an analogue to a digital service, and the capability to engage the independent production sector to collaborate in providing British Columbians with a unique television experience.

PERFORMANCE MEASURES	TARGETS					
Percentage of Staff Participating in Training and/ or Development Opportunities in Support of KNC's Goals	2006/07 Actual	2007/08 Forecast	2007/08 Actual	2008/09 Target	2009/10 Target	2010/11 Target
	N/A	33%	33%	50%	75%	100%

## Key Risks Affecting Performance

KNC operates in a federally regulated broadcast environment that is undergoing significant change. New technologies, Internet, and increased competition from corporate consolidation continue to fragment audiences. To this end, the CRTC has been systematically reviewing policies for broadcast distribution and discretionary services over the last two years.

KNC has been actively participating in public consultations with the CRTC and Heritage Canada on regulatory issues. We also work closely with our partners in the Association for Tele-Education in Canada (ATEC) to ensure continued access for public educational broadcasting in Canada.

In February 2008, KNC submitted its licence renewal application to the CRTC, applying for a full-term seven-year licence. While KNC is currently in good standing with the CRTC, our licence renewal will be based on our ability to demonstrate our viability moving forward, while meeting specific conditions of licence. Two of our key conditions of licence are:

- 1) Canadian Content - KNC is required to devote not less than 60% of the broadcast year and not less than 50% of prime time to the broadcasting of Canadian programs.
- 2) Closed Captioning - KNC will caption 100% of programming in prime time (between 7 p.m. and 11 p.m.) starting Year 1 of its new licence term (September 2008). By the end of the licence term (2015) KNC will caption 100% of all programming during each broadcast day.

KNC has worked closely with the CRTC to implement new reporting systems to support our conditions of licence. We anticipate a decision on our licence renewal application by early fall.

A key area of concern for KNC is the future of the Canadian Television Fund (CTF). The CTF supports the production and broadcast of Canadian television programs, including BC productions.

Our access to the CTF has continuously eroded due to consolidation within the broadcast industry and changes to the CTF calculation process. Industry consolidation continues to put pressure on public educational broadcasters, as it impacts the CTF's distribution of funds. KNC, working together with our ATEC colleagues, continues to engage both the CRTC and Heritage Canada to try to secure equitable access to the CTF. While we continue to prefinance independent productions, it is not at a level that makes a significant impact on the independent production community.



## PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

Below are the specific directions outlined in the Shareholder's Letter of Expectations and KNC's actions in fiscal 2007/08.

SPECIFIC DIRECTION TO THE CORPORATION		KNC ACTIONS IN 2007/08
Retain the building and property at 4355 Mathissi Place, Burnaby, BC until directed that it be transferred to another public post-secondary institution.	➡	We continued to retain the building at 4355 Mathissi Place and worked on the transfer to BCIT.
Maintain and manage the building and property	➡	We continued to manage operations at 4355 Mathissi Place, including covering operating costs.
Undertake capital upgrades necessary to convert Knowledge Network's broadcast facilities from an analogue platform to a digital platform.	➡	Our digital conversion is well underway. We spent \$1.9M of our \$2.7M Digital Conversion Grant. Work is proceeding on budget and on schedule for completion by September 2008.
Undertake activities necessary to pursue the goals described in KNC's Strategic Plan: 1) Brand Knowledge Network as British Columbia's only independent, digital, commercial-free educational media service that reflects the province's diversity and multiculturalism and supports the lifelong pursuit of knowledge.	➡	We made significant changes to our broadcast schedule and developed business plans for rebranding the network, reflecting the province's diversity and multiculturalism. Programming highlights include: <ul style="list-style-type: none"> <li>• <i>Dragon Songs: Lang Lang in China</i> showcases acclaimed classical pianist Lang Lang, sharing his journey back to his roots.</li> <li>• <i>India with Sanjeev Bhaskar</i> explores modern India, from the sights and sounds to the beauty of the landscape.</li> <li>• <i>Glories of Islamic Art</i> examines artists and architects, exploring the close connection between architectural splendor and the religious message of Islam.</li> <li>• <i>Feast India</i> is a fascinating glimpse into Indian culture, food, and customs.</li> </ul>
2) Initiate a major expansion of original local and regional television and Internet programming.	➡	A significant expansion of original BC content will be pursued when new funds become available.
3) Collaborate with British Columbia's independent television and Internet content production sector through public-private partnerships	➡	We will engage in an aggressive expansion of collaboration with the independent production community when new funds become available.
4) Increase self-generated revenue by establishing media partnerships and increasing individual philanthropic donations.	➡	We established the model for Media Partnerships. Partners in Knowledge donations continued to grow, reaching an all-time high of over \$2M with almost 26,000 donors. Our endowment fund continued to grow.
5) Recruit and develop a team with the necessary skills to transform the network from an analogue to a digital service, and the capability to engage the independent production sector.	➡	We recruited a new President and CEO, and restructured staff and management in support our new direction. We decommissioned in-house production to direct support to the independent production sector.  Program highlights include: <ul style="list-style-type: none"> <li>• <i>Energy Blast</i> are short workouts for kids that encourage coordination, balance, agility, and strength.</li> <li>• <i>I Dare You</i> are short two-minute programs featuring a young host who "dares" kids to get up and move their bodies.</li> <li>• <i>Cooking for Kids with Luis</i> has a young chef guide kids through the cooking process from start to finish.</li> <li>• <i>Hi-5</i> is a fun series for preschoolers focusing on music, movement, and laughter.</li> </ul>
Included in these activities are television and/or Internet programming that reflect:  a) The spirit of <b>Act Now BC</b> ;	➡	

# PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

Below are the specific directions outlined in the Shareholder's Letter of Expectations and KNC's actions in fiscal 2007/08.

## SPECIFIC DIRECTION TO THE CORPORATION

Retain the building and property at 4355 Mathissi Place, Burnaby, BC until directed that it be transferred to another public post-secondary institution.

Maintain and manage the building and property.

Undertake capital upgrades necessary to convert Knowledge Network's broadcast facilities from an analogue platform to a digital platform.

Undertake activities necessary to pursue the goals described in KNC's Strategic Plan:

1) Brand Knowledge Network as British Columbia's only independent, digital, commercial-free educational media service that reflects the province's diversity and multiculturalism and supports the lifelong pursuit of knowledge.

2) Initiate a major expansion of original local and regional television and Internet programming.

3) Collaborate with British Columbia's independent television and Internet content production sector through public-private partnerships.

4) Increase self-generated revenue by establishing media partnerships and increasing individual philanthropic donations.

5) Recruit and develop a team with the necessary skills to transform the network from an analogue to a digital service, and the capability to engage the independent production sector.

Included in these activities are television and/or Internet programming that reflect:

a) The spirit of **Act Now BC**.

## KNC ACTIONS IN 2007/08

We continued to retain the building at 4355 Mathissi Place and worked on the transfer to BCIT.

We continued to manage operations at 4355 Mathissi Place, including covering operating costs.

Our digital conversion is well underway. We spent \$1.9M of our \$2.7M Digital Conversion Grant. Work is proceeding on budget and on schedule for completion by September 2008.

We made significant changes to our broadcast schedule and developed business plans for rebranding the network, reflecting the province's diversity and multiculturalism. Programming highlights include:

- *Dragon Songs: Lang Lang in China* showcases acclaimed classical pianist Lang Lang, sharing his journey back to his roots.
- *India with Sanjeev Bhaskar* explores modern India: from the sights and sounds to the beauty of the landscape.
- *Glories of Islamic Art* examines artists and architects, exploring the close connection between architectural splendor and the religious message of Islam.
- *Feast India* is a fascinating glimpse into Indian culture, food, and customs.

A significant expansion of original BC content will be pursued when new funds become available.

We will engage in an aggressive expansion of collaboration with the independent production community when new funds become available.

We established the model for Media Partnerships. Partners in Knowledge donations continued to grow, reaching an all-time high of over \$2M with almost 26,000 donors. Our endowment fund continued to grow.

We recruited a new President and CEO and restructured staff and management in support of our new direction. We decommissioned in-house production to direct support to the independent production sector.

Program highlights include:

- *Energy Blast* are short workouts for kids that encourage coordination, balance, agility, and strength.
- *I Dare You* are short two-minute programs featuring a young host who "dares" kids to get up and move their bodies.
- *Cooking for Kids with Luis* has a young chef guide kids through the cooking process from start to finish.
- *Hi-5* is a fun series for preschoolers focusing on music, movement, and laughter.

## SPECIFIC DIRECTION TO THE CORPORATION

b) BC's role as the gateway between Canada and the Asia Pacific;



c) The promotion of literacy, including early learning initiatives and adult literacy.



d) Aboriginal communities, culture and issues.



e) The experiences and interests of all age groups, including young children, youth, and seniors, and



f) The celebration and commemoration of the 150th anniversary of British Columbia as a Crown colony.



Where appropriate, work with the public education system to coordinate educational programming.



## KNC ACTIONS IN 2007/08

Program highlights include:

- *Welcome to Tehran* looks at life in Iran's capital as shown by ordinary Iranians.
- *The Magical Life of Long Tack Sam* is a BC-produced documentary about an internationally renowned Chinese acrobat and magician who overcame barriers to become one of the most successful vaudeville acts of his time.
- *Gourmet China: A Living Legacy* explores a culinary tradition that holds great significance in Chinese culture.
- *China Blue* is a documentary filmed in China that reveals what China and international retail companies don't want us to see—how the clothes we buy are actually made.

Our children's programming is specifically chosen to support cognitive, social, emotional, and creative development. Program highlights include:

- *WordWorld* uses letters to help the WordFriends save the day.
- *Peep And The Big, Wide, World* explores Peep's world through fun, games and exciting adventures.
- *It's A Big, Big World* takes place in the rainforest where Snook the Sloth and his pals have fun and learn about science, geography, wildlife and more.

Program highlights include:

- *Indecently Exposed* challenges attitudes towards First Nations people.
- *Chiefs and Champions II* profiles aboriginal athletes from Canada who, besides being world-class performers in their chosen sport, have become community leaders and role models.
- *renegadepress.com* is a youth series about two teens who use their e-zine to expose what's really going on in the lives of today's young people.

Program highlights include:

- *Black Coffee* is an absorbing social and cultural history of the beloved coffee bean.
- *Never Give Up On Your Dreams* captures Rick Hansen's incredible journey, both before and after his accident, through the arduous process of rehabilitation, and finally, the acceptance of his disability.
- *From The Heart: The Freeman Legacy* is a collaboration between the City of Burnaby and SFU, highlighting the military and civilian careers of five distinguished Freeman of Burnaby, showcasing their devotion to service in both war and peace.

KNC began work on *Picture BC*, an interactive website rich in BC content driven by municipalities from across the province. *Picture BC* is being developed by KNC in partnership with the Ministry of Tourism, Sport and the Arts and the Union of BC Municipalities.

Production began on the documentary *The Graduates: A History of Higher Education In BC*.

SPECIFIC DIRECTION TO THE CORPORATION		KNC ACTIONS IN 2007/08
b) BC's role as the gateway between Canada and the Asia Pacific;	➡	<p>Program highlights include:</p> <ul style="list-style-type: none"> <li>• <i>Welcome to Tehran</i> looks at life in Iran's capital as shown by ordinary Iranians.</li> <li>• <i>The Magical Life of Long Tack Sam</i> is a BC-produced documentary about an internationally renowned Chinese acrobat and magician who overcame barriers to become one of the most successful vaudeville acts of his time.</li> <li>• <i>Gourmet China: A Living Legacy</i> explores a culinary tradition that holds great significance in Chinese culture.</li> <li>• <i>China Blue</i> is a documentary filmed in China that reveals what China and international retail companies don't want us to see—how the clothes we buy are actually made.</li> </ul>
c) The promotion of literacy; including early learning initiatives and adult literacy;	➡	<p>Our children's programming is specifically chosen to support cognitive, social, emotional, and creative development. Program highlights include:</p> <ul style="list-style-type: none"> <li>• <i>WordWorld</i> uses letters to help the WordFriends save the day.</li> <li>• <i>Peep And The Big, Wide, World</i> explores Peep's world through fun, games and exciting adventures.</li> <li>• <i>It's A Big, Big World</i> takes place in the rainforest, where Snook the Sloth and his pals have fun and learn about science, geography, wildlife and more.</li> </ul>
d) Aboriginal communities, culture and issues;	➡	<p>Program highlights include:</p> <ul style="list-style-type: none"> <li>• <i>Indecently Exposed</i> challenges attitudes towards First Nations people.</li> <li>• <i>Chiefs and Champions II</i> profiles aboriginal athletes from Canada who, besides being world-class performers in their chosen sport, have become community leaders and role models.</li> <li>• <i>renegadepress.com</i> is a youth series about two teens who use their e-zine to expose what's really going on in the lives of today's young people.</li> </ul>
e) The experiences and interests of all age groups including young children, youth, and seniors; and,	➡	<p>Program highlights include:</p> <ul style="list-style-type: none"> <li>• <i>Black Coffee</i> is an absorbing social and cultural history of the beloved coffee bean.</li> <li>• <i>Never Give Up On Your Dreams</i> captures Rick Hansen's incredible journey, both before and after his accident, through the arduous process of rehabilitation, and finally, the acceptance of his disability.</li> <li>• <i>From The Heart: The Freeman Legacy</i> is a collaboration between the City of Burnaby and SFU, highlighting the military and civilian careers of five distinguished Freeman of Burnaby, showcasing their devotion to service in both war and peace.</li> </ul>
f) The celebration and commemoration of the 150th anniversary of British Columbia as a Crown colony.	➡	<p>KNC began work on Picture BC, an interactive website rich in BC content driven by municipalities from across the province. Picture BC is being developed by KNC in partnership with the Ministry of Tourism, Sport and the Arts and the Union of BC Municipalities.</p>
Where appropriate, work with the public education system to coordinate educational programming.	➡	<p>Production began on the documentary <i>The Graduates: A History of Higher Education In BC</i>.</p>

## Climate Change Initiative

KNC has been developing our Climate Change Action Plan, supporting Government's goal of carbon neutrality for the public sector by 2010.

We are in the process of transferring the building at 4355 Mathissi Place to a new operator. Our climate change initiatives will focus on those activities we have control over, starting with indirect emissions from office paper purchases and updating our procurement processes to ensure energy-efficient protocols are in place for purchased goods and services. Our climate change action plans will evolve in the coming months once our new building operations are in place.

KNC's most valuable resource for influencing change regarding energy efficiency is our airwaves. With an average weekly reach of over 1.2 million viewers across the province (Winter 2007, BBM Nielson Media Research), KNC can play a significant role informing British Columbians about the issue of climate change and how they can make a difference. We are looking at ways in which our airtime could be used to support Government's Climate Change Action Plan:

- 1) Programming - KNC acquires, commissions, and prelicences compelling and informative documentaries on environmental issues that resonate with viewers.
- 2) Media Partnerships - provide the opportunity to broadcast short messages in the public interest to encourage British Columbians to make positive changes in their lives.

## FINANCIAL REPORT

KNC's 2008/09-2010/11 Service Plan was prepared under the assumption that additional revenues would be secured in support of our new strategic direction. Our business plans will now be tabled as part of the 2009/10 budget planning process, impacting the pace at which we will launch two of our five strategic goals moving forward: Expansion of Original Programming on Television and the Internet, and the Expansion of Independent Production Partnerships.

The provincial government provides the largest portion of KNC's revenue, with self-funded revenue (Partners In Knowledge donations, endowment fund, and other revenues) contributing to about one-third of KNC's overall budget. Our Media Partnerships model is now in place and we anticipate growing revenues in 2008/09.

## Management Discussion and Analysis

In fiscal 2007/08, KNC was on target with its annual budget. Comparatively, in fiscal 2006/07, we ended the year with an \$18,000 surplus. This variance is due to KNC's efforts to move forward in a new strategic direction. It includes costs associated with restructuring the organization and preparing the building at 4355 Mathissi Place for transfer to another public post secondary institution. The Board and management continue to make decisions to direct resources towards building the foundation for KNC's transformation into an all-digital, rebranded, 24/7 media service.

In our Strategic Plan, KNC committed itself to partial funding of our five strategic goals through internal budget reallocation. In 2007, management restructured the organization and business lines by eliminating in-house productions and related positions. Restructuring resulted in cost savings to be reallocated in 2008/09 towards three of our strategic goals: Branding, Self-Generated Revenue and Team Recruitment and Development.

As of March 31, 2008, KNC had 51.75 full-time equivalent positions (reduced from 61.5 in March 2007). In fiscal 2007/08, we spent \$1.9M of our \$2.7M Digital Conversion Grant. Work is proceeding on budget and on schedule for completion by September 2008.

Partners In Knowledge donations continue to grow. We exceeded this year's target by \$250,000, a 15% increase from last fiscal. We are continuing an upward trend since 2003.

Picture BC, a partnership between KNC, the Ministry of Tourism, Sport and Arts, and the Union of BC Municipalities, is a pilot project for our media partnership model. KNC will drive traffic to the Picture BC website by providing substantial broadcast promotion in prime time, for one year following its launch. The airtime offered, in exchange for in-kind consideration and revenue will educate and inform British Columbians about this exciting new resource.

We have only provided historical financial results going back to April 2005/06, as noted in our Summary of Financial Results and Budget Projections. Operations prior to this time include the BC Open University and other services that have since been discontinued or transferred to other educational institutions.

Our financial information reflects a significant variance in the columns for our Capital Grant. In 2007/08 we received a one-time capital grant from Government to upgrade broadcast and network infrastructures, totaling \$2.2M. Salary variances totaling \$1.2M in 2007/08 are the result of restructuring costs.

# FINANCIAL OUTLOOK

## Knowledge Network Corporation Summary of Financial Results and Budget Projections - 2005/2006 to 2010/2011 (Reported in '000)

	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 BUDGET	BUDGET VARIANCE	YEAR VARIANCE	2008/09 FORECAST	2009/10 FORECAST	2010/11 FORECAST
Provincial Operating Grants	6,420	7,731	<b>7,905</b>	7,905	-	174	6,316	6,410	6,504
Capital Grant	75	-	<b>2,195</b>	2,195	-	2,195	700	-	-
Self-Funded Revenue	3,556	3,134	<b>3,009</b>	3,123	(114)	(124)	2,626	2,710	2,860
Deferred Revenue or Surplus from Prior Years	(270)	161	<b>(769)</b>	240	(1,017)	(929)	-	-	-
Deferred Contributions for Depreciation	645	673	<b>1,707</b>	1,707	-	1,034	-	-	-
Other Revenue	(287)	(109)	<b>(941)</b>	496	(1,437)	(832)	614	75	75
<b>Total Revenue</b>	<b>10,139</b>	<b>11,590</b>	<b>13,106</b>	<b>15,674</b>	<b>(2,568)</b>	<b>1,518</b>	<b>10,261</b>	<b>9,195</b>	<b>9,439</b>
Salaries and Benefits	4,668	4,759	<b>5,955</b>	5,714	241	1,197	4,311	4,121	4,121
Acquired Programming	1,465	2,031	<b>1,844</b>	1,727	117	(187)	2,316	2,921	3,166
Programming Partnerships	938	1,478	<b>1,103</b>	1,864	(761)	(375)	218	-	-
New BC Originated Content from Independent Sector (see note below)	-	-	-	-	-	-	-	-	-
Broadcast Infrastructure and Signal Distribution	395	395	<b>371</b>	2,572	(2,201)	(25)	1,171	421	421
Depreciation	645	673	<b>1,707</b>	1,707	-	1,034	-	-	-
Facilities	802	687	<b>696</b>	649	47	9	320	320	320
Other Operating	1,747	1,548	<b>1,430</b>	1,441	(11)	(116)	1,925	1,412	1,411
<b>Total Expenses</b>	<b>10,660</b>	<b>11,571</b>	<b>13,106</b>	<b>15,674</b>	<b>(2,568)</b>	<b>1,537</b>	<b>10,261</b>	<b>9,195</b>	<b>9,439</b>
<b>Total Net Income (or Loss)</b>	<b>(521)</b>	<b>19</b>	<b>-</b>			<b>(19)</b>			

### Note:

This new initiative is subject to securing additional revenues in 2009/10 and beyond.

## **SUBSIDIARY/OPERATING SEGMENT SUMMARY INFORMATION**

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981 and is wholly owned by the Knowledge Network Corporation. KWCC has been inactive since 1990.

## **CONTACT INFORMATION**

Knowledge Network Corporation is located at:

4355 Mathissi Place  
Burnaby, British Columbia  
V5G 4S8

Phone: 604.431.3200

Fax: 604.431.3387

Email: [knonline@knowledgenetwork.ca](mailto:knonline@knowledgenetwork.ca)

Website: [www.knowledgenetwork.ca](http://www.knowledgenetwork.ca)



## APPENDIX A - 2007/08 AUDITED FINANCIAL STATEMENTS



## **Knowledge Network Corporation Financial Statements**

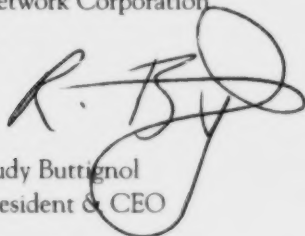
Year Ended March 31

### **Management's Responsibility for Financial Reporting**

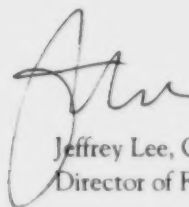
The financial statements of Knowledge Network Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

Grant Thornton LLP has performed an independent audit of the financial statements of Knowledge Network Corporation. The Auditors' Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Knowledge Network Corporation.



Rudy Buttignol  
President & CEO



Jeffrey Lee, CGA  
Director of Finance

Burnaby, British Columbia  
May 16, 2008





Financial Statements

Open Learning Agency

March 31, 2008

# Contents

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Auditors' report	1
Statement of Operations	2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 10



## Auditors' report

Grant Thornton LLP  
Suite 1600, Grant Thornton Place  
333 Seymour Street  
Vancouver, BC  
V6B 0A4  
T (604) 687-2711  
F (604) 685-6569  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Board of Directors of

Open Learning Agency

We have audited the statement of financial position of Open Learning Agency as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Vancouver, Canada

May 16, 2008

Chartered accountants

# Open Learning Agency

## Statement of Operations

Year Ended March 31

2008

2007

### Revenue

Province of British Columbia		
Operating grants	\$ 7,625,405	\$ 7,143,639
Specified grants and contracts	279,198	307,644
Donations and sponsorships	2,717,357	3,008,680
Deferred contributions (Note 6)	488,622	672,937
Miscellaneous	447,545	222,859
Interest	125,109	108,540
Sales	87,988	113,966
User fees and rentals	31,010	10,876
Loss on investments	(24,025)	-

Total revenue	<u>11,778,209</u>	<u>11,589,141</u>
---------------	-------------------	-------------------

### Expenditure

Salaries, honoraria and benefits	5,722,941	4,758,518
Purchased services	1,980,954	2,733,783
Program acquisitions	1,843,850	1,958,603
Facilities rental and maintenance	696,059	686,613
Amortization of property and equipment	488,622	672,937
Materials, supplies and postage	431,580	410,597
Satellite transmission services	370,952	395,471
Miscellaneous	241,880	227,358
Equipment rental, financing and maintenance	118,497	114,400
Travel	92,129	62,098
Communications	72,369	55,642
Expense recovery, building operating costs	(281,400)	(505,681)

Total expenditure	<u>11,778,433</u>	<u>11,570,339</u>
-------------------	-------------------	-------------------

(Deficiency) excess of revenue over expenditure before unusual items	(224)	18,802
--	-------	--------

### Unusual items

Write-down of capital assets (Note 5)	(1,218,474)	-
Deferred contributions relating to write-down of capital assets (Note 6)	1,218,474	-

(Deficiency) excess of revenue over expenditure	\$ <u>(224)</u>	\$ <u>18,802</u>
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See accompanying notes to the financial statements

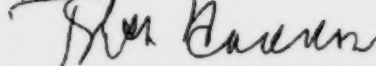


# Open Learning Agency Statement of Financial Position

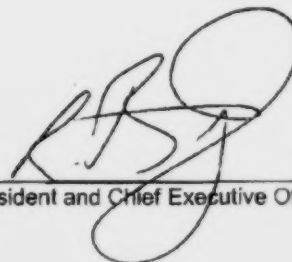
March 31	2008	2007 (Restated - Note 3)
<b>Assets</b>		
Current		
Cash	\$ 3,799,923	\$ 1,995,120
Short-term investments	337,939	514,746
Accounts receivable and prepaids	151,454	419,754
Grants receivable	-	100,000
Work in progress, projects	20,360	7,406
	<u>4,309,676</u>	<u>3,037,026</u>
Property and equipment (Note 5)	<u>13,612,851</u>	<u>13,729,801</u>
	<u>\$ 17,922,527</u>	<u>\$ 16,766,827</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 1,754,151	\$ 1,645,831
Deferred revenue, projects	522,387	265,735
	<u>2,276,538</u>	<u>1,911,566</u>
Deferred contributions, property and equipment (Note 6)	<u>11,237,909</u>	<u>10,750,006</u>
	<u>13,514,447</u>	<u>12,661,572</u>
<b>Net assets</b>		
Endowment fund	348,857	45,809
Invested in property	2,979,794	2,979,794
Unrestricted	1,079,429	1,079,652
	<u>4,408,080</u>	<u>4,105,255</u>
	<u>\$ 17,922,527</u>	<u>\$ 16,766,827</u>

Operations (Note 1)  
Commitments and contingencies (Note 7)  
Subsequent event (Note 9)

Approved:



Chair of the Board



President and Chief Executive Officer

See accompanying notes to the financial statements

# **Open Learning Agency** **Statement of Changes in Net Assets**

Year Ended March 31

	2008				2007
					(Restated - Note 3)
	<u>Endowment Fund</u>	<u>Invested in Property</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Net assets, beginning of year	\$ <u>45,809</u>	\$ <u>2,979,794</u>	\$ <u>1,079,652</u>	\$ <u>4,105,255</u>	\$ <u>4,040,644</u>
Changes during the year					
(Deficiency) excess of revenue over expenditure	-	-	(224)	(224)	18,802
Amortization of property and equipment	-	(488,622)	488,622	-	-
Deferred contributions, property and equipment	-	488,622	(488,622)	-	-
Endowments	<u>303,048</u>	<u>-</u>	<u>-</u>	<u>303,048</u>	<u>45,809</u>
	<u>303,048</u>	<u>-</u>	<u>(224)</u>	<u>302,824</u>	<u>64,611</u>
Net assets, end of year, as restated	\$ <u>348,857</u>	\$ <u>2,979,794</u>	\$ <u>1,079,428</u>	\$ <u>4,408,079</u>	\$ <u>4,105,255</u>

See accompanying notes to the financial statements

# Open Learning Agency

## Statement of Cash Flows

Year Ended March 31

2008

2007

Cash flows provided by (used in)

### Operating activities

(Deficiency) excess of revenue over expenditure	\$ (224)	\$ 18,802
Adjustments to determine cash flows:		
Amortization of deferred contributions	(488,622)	(672,937)
Amortization of property and equipment	488,622	672,937
Write-down of capital assets	1,218,474	-
Amortization of deferred contribution relating to write-down of capital assets	(1,218,474)	-
Change in non-cash operating working capital	720,319	64,538
	<u>720,095</u>	<u>83,340</u>

### Financing activities

Grants for property and equipment	2,195,000	442,418
Receipts of endowment funds	303,048	-
	<u>2,498,048</u>	<u>442,418</u>

### Investing activities

Short-term investments	176,807	999,259
Purchase of equipment, net	(1,590,147)	(359,978)
	<u>(1,413,340)</u>	<u>639,281</u>

Increase in cash	1,804,803	1,165,039
Cash, beginning of year	<u>1,995,120</u>	<u>830,081</u>
Cash, end of year	<u>\$ 3,799,923</u>	<u>\$ 1,995,120</u>

### Change in non-cash operating working capital

Accounts receivable	\$ 268,300	\$ 66,242
Grants receivable	100,000	139,642
Work in progress, projects	(12,954)	(2,910)
Payables and accruals	108,321	48,267
Deferred revenue, projects	256,652	(186,703)
	<u>\$ 720,319</u>	<u>\$ 64,538</u>

See accompanying notes to the financial statements

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# **Open Learning Agency**

## **Notes to the Financial Statements**

March 31, 2008

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### **1. Operations**

The Agency is incorporated under the Open Learning Agency Act of British Columbia and is a registered charity under the provision of the Income Tax Act of Canada.

The Knowledge Network television station is British Columbia's public educational broadcaster, and is the only operating unit of the Agency.

The 2008/2009 interim operating budget for Knowledge Network operations is estimated at \$10.2 million; the principal source of funding is from the Ministry of Advanced Education.

Through introduction, on April 16, 2007, of Bill 23, "Knowledge Network Corporation Act", the government of British Columbia has indicated that Open Learning Agency will continue as a Crown corporation under the name "Knowledge Network Corporation".

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### **2. Summary of significant accounting policies**

#### **Basis of presentation**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

#### **Property and equipment**

Purchased property and equipment are recorded at cost. Property and equipment are amortized over the estimated useful life on the declining balance basis at 10% to 30% per annum. Amortization of the building is recorded on a straight line basis over 40 years.

#### **Revenue recognition**

The Agency follows the deferral method of accounting for contributions. Under this method restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Operating and specified grants and contract amounts received during the fiscal year are recognized as income in the period to which the related amount applies.

Grants and sponsorships for specified projects are deferred and allocated to various productions and recognized as revenue over the run of the production. Net revenue or expenditure from incomplete projects with specified funding is recorded as deferred revenue or work in progress. Income or loss from projects is recognized at project completion.

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# **Open Learning Agency**

## **Notes to the Financial Statements**

March 31, 2008

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### **2. Summary of significant accounting policies (Continued)**

Government assistance and donations related to the acquisition of property and equipment are deferred and amortized to income on the same basis as the related asset is depreciated.

Donations are recorded on the cash basis.

#### **Program acquisitions**

Broadcast license agreements are expensed in the year payable.

#### **Employee benefits**

Employee future benefits are recorded on the accrual basis.

#### **Financial instruments**

The Agency, where appropriate, estimates the fair values of financial instruments. These fair values may be significantly affected by the assumptions used, including the discount rate and estimated cash flows. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. Where the estimates approximate their carrying value, no separate disclosure of fair value is shown.

#### **Comparative figures**

Certain of the prior year's figures have been reclassified to conform with the current year's financial statement presentation.

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### **3. Prior period adjustment**

In 2007, the Agency received endowment donations in the sum of \$45,809 and incorrectly classified them as liabilities. An adjustment to opening net assets and payables and accruals has been made to reflect the proper disclosure of endowment donations as direct increases to net assets.

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### **4. Change in accounting policies**

#### **Current year changes**

##### ***Financial instruments***

Effective April 1, 2007 the Agency adopted the Canadian Institute of Chartered Accountants Handbook Section 3855, Financial Instruments – Recognition and Measurement and 3861, Financial Instruments – Presentation and Disclosure.

The Agency has classified their financial instruments as follows:

- cash as held-for-trading
- accounts receivable as loans and receivables
- investments as held-for-trading
- accounts payable as other liabilities

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## Open Learning Agency

### Notes to the Financial Statements

March 31, 2008

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#### 4. Change in accounting policies (Continued)

Fair values are based on quoted market values where available from active markets.

The adoption of these new standards did not have a material impact on these financial statements.

#### Future changes

##### *Financial instruments - presentation and disclosure*

Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, both issued in December 2006, revise the current standards on financial instrument disclosure and presentation. Section 3862 places additional emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments between liabilities and equity from the perspective of the issuer. These standards will be adopted by the Agency effective April 1, 2008.

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5. Property and equipment		2008		2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,979,794	\$ -	\$ 2,979,794	\$ 2,979,794
Building	13,608,913	5,431,913	8,177,000	8,517,224
Furniture and fixtures	843,653	696,279	147,374	149,237
Equipment	2,478,109	2,387,590	90,519	106,494
Computer equipment	2,339,666	1,884,202	455,464	497,616
Software	365,755	347,776	17,979	35,958
Broadcast network equipment	10,151,499	8,406,778	1,744,721	1,443,478
	<u>\$ 32,767,389</u>	<u>\$ 19,154,538</u>	<u>\$ 13,612,851</u>	<u>\$ 13,729,801</u>

During the year, the Agency wrote-off analog broadcast network equipment by \$1,218,474 (2007: \$Nil) as it was replaced with digital equipment.

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## Open Learning Agency Notes to the Financial Statements

March 31, 2008

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### 6. Deferred contributions

Deferred contributions related to property and equipment represent the unamortized amount of grants received for the purchase of property and equipment. Amortization of deferred capital contributions is recorded as revenue.

	2008	2007
Balance, beginning of year	\$ 10,750,006	\$ 10,980,525
Contributions received	2,195,000	442,418
Less:		
Amounts recognized as revenue	(488,622)	(672,937)
Amounts relating to write-down of capital assets (Note 5)	<u>(1,218,474)</u>	<u>-</u>
Balance, end of year	<u>\$ 11,237,910</u>	<u>\$ 10,750,006</u>

Included in the balance at March 31, 2008, are unspent capital contributions for equipment of \$604,852 (2007: \$Nil).

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### 7. Commitments and contingencies

#### Satellite transmission services

The Agency acquires satellite transmission services at an annual cost of approximately \$370,000 under agreements that are renewed annually.

#### Leases

The Agency rents premises for a nominal annual amount. Under the lease agreement, the tenants are under obligation to share in the building operating costs which the Agency collects and records as expense recoveries.

#### Contingencies

In the normal course of business, claims are brought against the Agency. Where the outcomes are likely and the amounts reasonably estimable, contingent losses are recorded. Where the outcomes are not likely, the nature and amount of the claims in excess of the amounts recorded are disclosed.

At March 31, 2008, there are no claims in excess of amounts recorded.

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## **Open Learning Agency**

### **Notes to the Financial Statements**

March 31, 2008

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#### **8. Pensions**

The Agency and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has over 10,000 active members from college senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has about 145,000 active members, with approximately 5,000 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009, with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers.

Contributions to the plans in the current year amounted to \$317,533 (2007: \$289,000).

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#### **9. Subsequent event**

The Agency intends to transfer ownership of the building and land to another public post-secondary institution during fiscal 2008-2009. This transfer will reduce the asset values by approximately \$11,200,000, the deferred contributions by \$8,200,000, and the invested in property balances by \$2,900,000 on the financial statements.





